GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2620
ANSWERED ON:17.03.2006
SUGGESTION FROM COMMERCIAL LOBBY
Rao Shri Devarakonda Vittal

Will the Minister of FINANCE be pleased to state:

(a) whether an appex industry chamber has urged the Government to increase the tax, GDP ratio to over 15 per cent apart from plugging distortions and leakages in its expenditure plans to tackle the crisis in public finance;

(b) if so, the action taken thereon;

(c) whether nearly 12 per cent of the Goverment`s total budgeted expenditure of Rs.514,344 crore for fiscal year 2005-06 is spent on extending subsidies in food, fertilizers and petroleum products and the target audience hardly gains out of it;

(d) if, the reaction of the Government threto;

(e) whether the Government has also received any suggstion that financing needs of public enterprises should be met through open market borrowings; and

(f) if so, the action taken thereon?

Answer

Minister of State in the Ministry of Finance (SHRI Pawan Kumar Bansal)

(a) & (b) Pre-Budget Memoranda of the vrious chambers of commerce and associations for 2006-07 have ndicated the need to increase the tax-GDP ratio and widening the tax base. The Government hasd been taking necessary measures in successive Budgets to widen the tax base as well as contain the expenditure to adhere to the targets of deficit as per the Fiscal Responsibility and Budget Management Act, 2003.

(c) & (d): The central budgetary subsuidies on food, fertilizer and petroleum as per to total expenditure is estimated at 8.5 per cent (Rs.43,383 crore) in 2005-06 (Revised Estimtes) which is budgeted to decline to 7.9 per cent in 2006-07 (Budget Estimates). While there are some indications of inclusion and exclusion erros in the delivery of food subsidies to families below the poverty line under the Targeted Public Distribution System, the other two remain universal subsidies. The Government is in the process of evolving a consensus for achieving the National Common Minimum Programme objective of targeting all subsidies to small and marginal farmers, farm labour and urban poor.

(e) & (f) The Government is committed to a strong and effective public sector. Thepublic sector enterprises primarkly meet their requirement for funds through equity and interal and extra budgetary resources. In the Budget for 2006-07 Government would provide equity support of Rs.16,901 crore and loans to Rs.2,789 crore to Central Public Sector Enterprises (including Railways).